financial report 1985–86

Manitoba Finance

This Financial Report contains information on the fiscal position of the Province for the 1985–86 fiscal year.

The economy of Manitoba expanded for the third consecutive year in 1985. Economic performance has exceeded the national average in recent years, according to a wide range of economic indicators including real output growth, job creation, investment and income. These improvements meant that the gap between Gross Provincial Product in Manitoba and the national per capita average narrowed in the 1980s. Nonetheless, the gap remained at about 6% of the national average, or $1,100 per person in 1985. This means that Manitoba's revenue raising capacity remains substantially below the national average and national equalization payments continue to be significant for the provision of programs and services throughout the Province.

Overall, expenditure totalled $3,645 million in 1985–86, an increase of $238 million, or 7.0%, from 1984–85. Revenue increased $193 million, or 6.6%, to $3,117 million in 1985–86.

During the latter half of the fiscal year, weakness in the exchange value of the Canadian dollar contributed to higher public debt costs and Hydro Rate Stabilization payments. As well, expenditures for Health and Community Services exceeded the amount budgeted by 1.7%, or $26 million. Other major categories of expenditures were contained at or below budgeted amounts resulting in a net total expenditure increase of $26 million, or 0.7%, over Budget estimates.

Federal government cash transfers for equalization, health and post-secondary education were $27 million lower than Budget estimates. Personal and corporate income taxes were $5 million lower than federal estimates at the beginning of the year. Offsetting these shortfalls in part, were greater-than-anticipated shared-cost receipts ($14 million) and growth in Manitoba's own collections of fees and taxes ($12 million). Revenue for the year was thus $6 million, or 0.2% less than the Budget estimate.

The Report shows total financial requirements of $528 million, $45 million higher than in 1984–85. Capital expenditure was $277 million and the net operating deficit was $251 million.

The increase in financial requirements during a period of relatively strong economic performance underscores the need for an adequate commitment by the federal government to funding essential health and post-secondary education services and the equalization program, and for fair and meaningful tax reform to support public services.

The Government has continued to develop policies to improve its financial management and reporting practices. In this respect, Cabinet has implemented guidelines to strengthen planning and accountability within the Crown Corporation sector. Further initiatives to improve the availability of financial information are being developed and will be reflected in financial statements in future years.

Consultations with a wide range of business and labour leaders and representatives of publicly-funded institutions and community groups have become an integral part of the process of Budget development in Manitoba. Individuals and organizations throughout the Province have given generously of their time and talents to assist in the process of consideration and priorization of needs for Provincial services and the measures required to provide the necessary resources. Our Government appreciates these efforts. We are committed to maintaining the co-operative relationships which have contributed to the rebuilding of the economy in the 1980's and provide an important foundation for the social, economic and cultural challenges which lie ahead.

Eugene Kostyra
Minister of Finance
Chair of Treasury Board
April, 1987

ECONOMIC STATISTICS

Gross Provincial Product

In 1985, the third year of economic expansion following the 1981–82 recession, Manitoba's Gross Provincial Product rose to an estimated $18.3 billion, an increase of $1.3 billion or 8.0% above the 1984 level. Investment growth continued to provide a major impetus for growth, while strong real output advances were recorded across virtually all key sectors of the economy. In 1985, Manitoba recorded its fourth successive year of strong population growth, gaining population on a net basis from both international and interprovincial sources. Total employment averaged 480,000 in 1985, an increase of 8,000 or 1.7% from 1984. Manitoba's unemployment rate averaged 8.1% in 1985, down from 8.3% in 1984 and the second lowest among provinces for the third consecutive year.

Sectoral Developments

The total value of agriculture production rose to just over $2.4 billion in 1985, 5.6% higher than in 1984. The value of crop production increased by 12.9% as production volumes for all major crops exceeded their 1984 levels and offset lower prices. At 192.0 million bushels, wheat production set a new record in 1985, surpassing by 55 million bushels, or 40%, the previous record set in 1984. Production records were also established for barley, flaxseed and canola — with increases of 30%, 31% and 17%, respectively, over 1984 levels. The value of livestock production advanced by 3.5% in 1985 as increased marketings of both cattle and hogs offset lower prices and somewhat lower returns for dairy and poultry production.

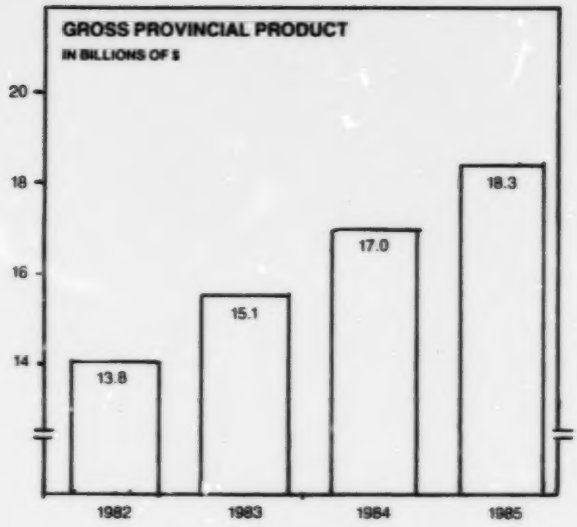
The overall farm income picture improved marginally in 1985, as the increase in realized gross income exceeded the increase in operating and depreciation charges. Consequently, realized net income rose to $368 million, an increase of 4.7% from 1984.

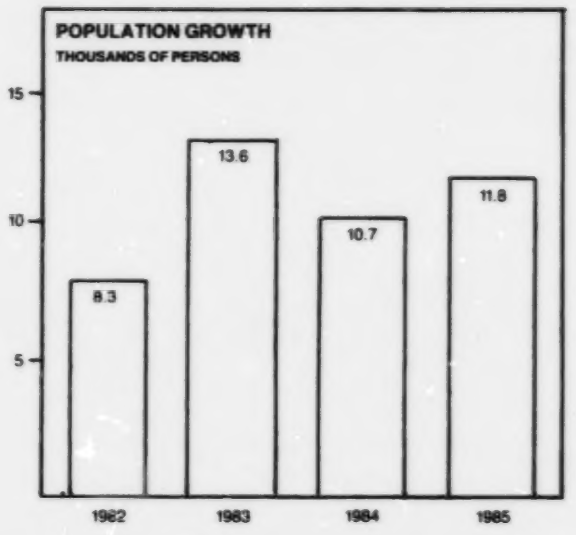
Manitoba's mineral sector recorded its third year of recovery in 1985, as the value of mineral production increased by 5.4% to $861 million. Relative to 1983 and 1984, growth was more balanced, with the value of production advancing for all major categories of minerals. The value of metal production increased by 5.4%, with nickel up 4.2%, copper up 7.4% and zinc up 18.2%. The value of industrial mineral production increased 2.5% above its 1984 level, while the value of petroleum production advanced by 6.4%.

Manitoba's manufacturing sector continued to make advances in 1985, as the value of shipments increased by an estimated 6.3% to about $5.6 billion. In real terms, that is after allowing for an estimated 3.9% price increase, shipments were 3.4% higher in 1985 than in 1984. Of the Province's major manufacturing industries, strongest growth in the value of shipments was recorded in the food, chemical and chemical products, wood furniture and fixtures, and non-metallic minerals industries, each with an increase in excess of 10%.

As it has over the entire recovery period, growth in the construction sector led the rest of the economy in 1985. Business non-residential investment continued to be strong, while residential construction, which was stable in 1984, increased dramatically in 1985.

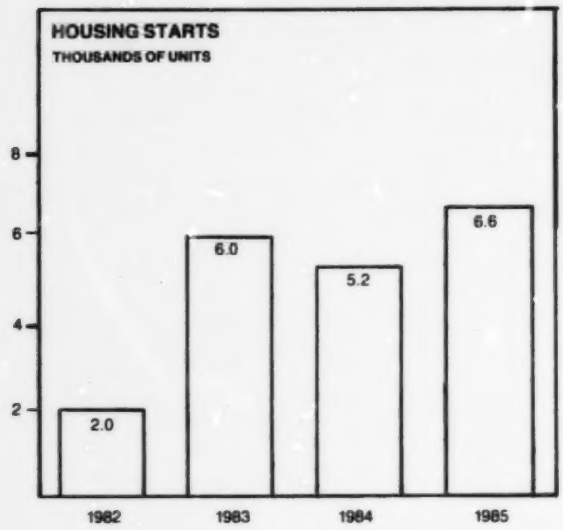
Housebuilding activity more than tripled between 1982 and 1985, with housing starts reaching a seven-year high of 6,557 units. Total construction expenditure in the Province, at $2.1 billion, was 12.8% or almost one-quarter of a billion dollars higher than in 1984.

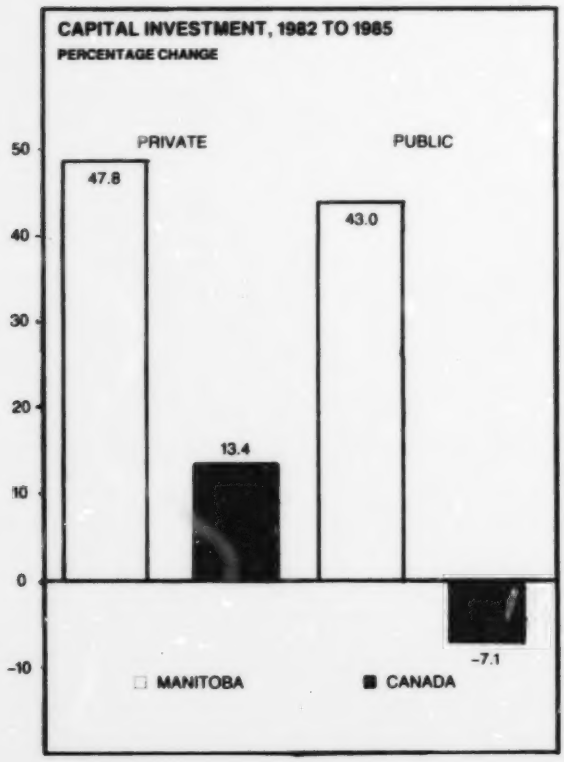




The value of hydro-electricity produced in Manitoba rose to an estimated $578 million in 1985, 8.6% above its 1984 total. In real terms, that is after adjusting for slightly higher prices, it increased by about 7%, eclipsing the previous record set in 1983.

Service sector growth in Manitoba was stronger and more broadly based than in Canada as a whole in 1985. Demand for transportation services increased in line with stronger growth in production and marketings in the goods sector. As well, travel expenditures increased as a result of higher real personal disposable income and corporate profits. In 1985, the value of retail sales increased by 15.2% and restaurant receipts increased by 11.0% — rates well above their respective national averages.





Employment and Incomes

Total employment in Manitoba averaged 480,000 in 1985, an increase of 8,000 or 1.7% from 1984. All of the increase in employment in Manitoba in 1985 was in full-time jobs. In contrast, only about three-quarters of the new jobs created in Canada were full-time. In 1985, the unemployment rate averaged 8.1%, well below the national average of 10.5%, and for the third year in a row the second lowest among provinces.

Manitoba's June, 1985 population was estimated to have been 1,070,800, an increase of 11,721 or just over 1.1% from its year earlier level. Contributing to this increase was a 2,078 person gain in net international migration and a 1,250 person gain in net interprovincial migration.

In 1985, personal income in Manitoba reached an estimated $16 billion, an increase of just under 9% from 1984. With current transfers to government increasing by about 7%, personal disposable income is estimated to have increased by just over 9%, about 1 to 1.5 percentage points above the national average. The Consumer Price Index (CPI) for Winnipeg increased by 4.2% in 1985, the second lowest annual increase in inflation in the Province since 1971.

Investment

Capital investment growth has been a major contributor to Manitoba's economic growth and above-average economic performance over the past several years. Investment increased by 12.6% in 1985 to $2.9 billion, following increases of 11.7% in 1983 and 16.2% in 1984. Balanced investment growth between the private and public sectors contributed to the Province's strong performance in 1985. Relative to its 1982 recession low, total capital investment in Manitoba was 46.1% higher in 1985. For the 1982 to 1985 period, total capital investment growth in the Province was the strongest of any province in Canada and almost seven-times the national average.

In 1985 construction began on several large investment projects in Manitoba including the major construction phase of the $1.9 billion Limestone Generating Station. In addition, a sharp increase in real estate construction was led by increased residential activity, major expansions of several of Winnipeg's largest shopping centres and the initial construction phase of the North Portage Development.

FINANCIAL HIGHLIGHTS

SUMMARY OF FINANCIAL POSITION

	1984–85	1985–86	
	Actual	Budget	Actual
		millions of dollars)	
Total Current and Capital Expenditure	3,407	3,619	3,645
Less: Total Revenue	2,924	3,123	3,117
Total Budgetary Requirement	483	496	528
Less: Gross Capital Expenditure	292	303	277
Net Operating Deficit	191	193	251

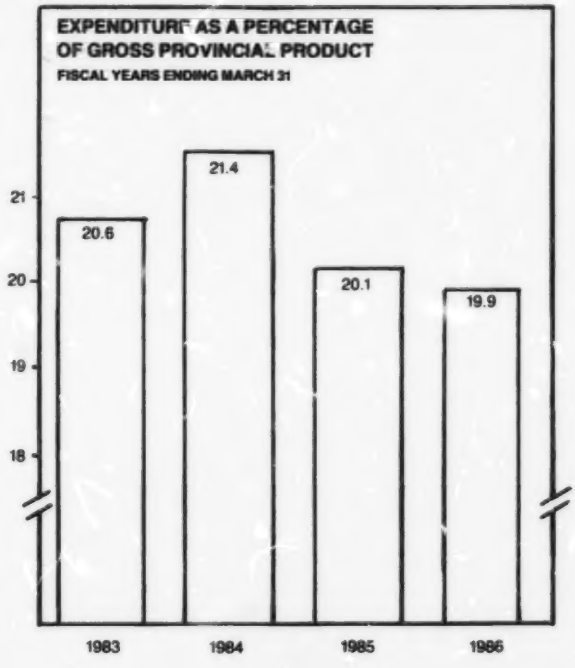
Expenditure and Revenue

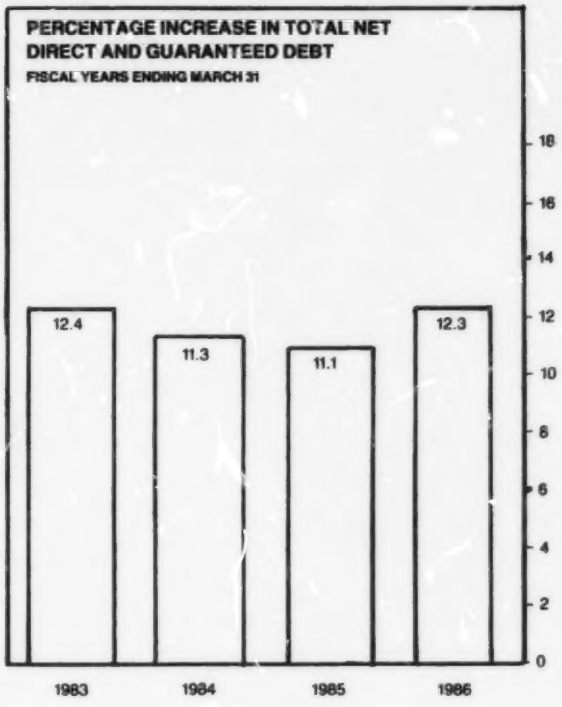
Total expenditure in the 1985–86 fiscal year amounted to $3,645 million, an increase of $238 million, or 7.0% over the 1984–85 total of $3,407 million. Actual expenditure was $26 million, or 0.7% above budget with the increase accounted for by higher expenditures for Public Debt, Hydro Rate Stabilization and Health and Community Services expenditures, offset in part by below–budget expenditures in some other categories.

Provincial expenditure as a proportion of Gross Provincial Product declined for the second consecutive year in 1985–86, reducing the share from a peak of 21.4% in 1983–84 to 19.9% in 1985–86.

Total revenue in 1985–86 amounted to $3,117 million, an increase of $193 million, or 6.6% from $2,924 million in 1984–85. Federal transfers for equalization, health and post–secondary education were $27 million lower than budget estimates. Personal and corporate income taxes were $5 million lower than amounts estimated by the federal government at the beginning of the year. Part of these shortfalls were offset by greater than anticipated shared–cost receipts and growth in Manitoba collections, with the result that total actual revenue was $6 million, or 0.2% less than the budget estimate.

In 1985–86, the total budgetary requirement was $528 million, or $32 million higher than the budget estimate.



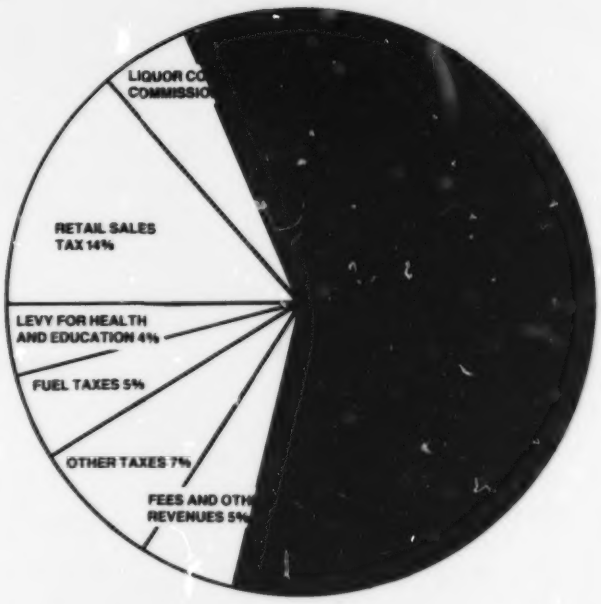


Direct and Guaranteed Debt

The combined Direct and Guaranteed Debt of the Province increased at a rate of 12.3% in 1985–86 with a net increase of $801 million to reach a level of $7,303 million after deduction of accumulated Sinking Funds and with foreign currency debt valued at exchange rates in effect at the time borrowing took place. The compound annual growth rate for the ten–year period from 1976–85 was 10.7%. When the foreign currency debt is expressed in terms of exchange rates in effect on March 31, 1986, the outstanding Direct and Guaranteed Debt of the Province before deduction of Sinking Funds amounted to $9,526 million.

PROVINCIAL REVENUE

MAJOR REVENUE SOURCES — 1985–86



MANITOBA COLLECTIONS 40%

INCOME TAX 25%

FEDERAL TRANSFERS 35%

The revenue of the Province includes its own taxation levies, a variety of fees, licences and charges, profits derived from the Liquor Control Commission and payments from the Federal Government under fiscal arrangements and shared cost programs. It does not include cash received as the proceeds from borrowing nor does it include revenues earned by Crown Corporations, Agencies, Boards and Commissions, with the exception of the Liquor Control Commission.

In the 1985 Budget, revenue for the 1985–86 fiscal year was estimated at $3,123 million. By year–end, actual revenue amounted to $3,117 million or $6 million less than the budget estimate.

Approximately 65% of the Province's total revenue in 1985–86 was derived from its own sources, with the balance attributable to federal transfers. The following is a summary of the major revenue sources.

"OWN SOURCE" REVENUE

Own source revenue comprises personal and corporate income taxes which are collected on behalf of the Province by the Federal Government and totalled $777 million in 1985–86, Manitoba collections of other taxes and revenue from other sources which totalled $1,234 million in 1985–86 and includes such items as the retail sales tax, revenue from the Liquor Control Commission, automobile and motor carrier licenses and fees.

INCOME TAXES

Individual income tax, which totalled $650 million in 1985–86, remains the largest single revenue source for the Manitoba Government. The Manitoba individual income tax basic rate is 54% of basic federal tax with a 20% surtax payable on taxable income in excess of $25,000. The tax is collected for the Province by the Federal Government under a long–standing agreement. The Federal Government makes instalment payments to the Province during the year based on the estimated revenue for the year. Adjustments are also made for prior years as information on actual collections becomes available.

Corporation income tax revenue in 1985–86 totalled $127 million. As in the case of the individual income tax, the corporation income tax is collected for the Province by the Government of Canada.

MANITOBA COLLECTIONS

RETAIL SALES TAX

The Province also obtains revenue from a range of taxes on the sale and use of various goods and certain services. The most significant of these taxes is the Retail Sales Tax, which yielded $437 million in 1985–86. The general Manitoba sales tax rate under the Retail Sales Tax Act and the Revenue Act, 1964, Part I is 6%.

LEVY FOR HEALTH AND POST-SECONDARY EDUCATION

The Health and Post-Secondary Education Levy resulted in revenue of $119 million for 1985-86. The levy is 1.5% of the total compensation paid by employers, except that all employers with annual payrolls under $50,000 are exempt and the levy is applied at reduced rates to payrolls between $50,000 and $75,000.

FUEL TAXES

Gasoline Tax collections in 1985-86 totalled $115 million and Motive Fuel Tax totalled $49 million.

LIQUOR CONTROL COMMISSION

Profits from the Liquor Control Commission totalled $139 million in 1985-86.

FEDERAL TRANSFERS

Approximately 35% of the Province's total revenue in 1985-86 was attributable to Federal transfer payments which take two forms. Unconditional transfers involve general-purpose payments designed to assist in supporting a broad range of provincial services. Conditional transfers involve payments to help cover part of the costs of particular programs provided by the Province.

Unconditional Transfers

The two largest Federal unconditional transfer programs are the Equalization Program and the financing for Health and Post-Secondary Education, both of which were adversely affected by amendments to Federal Legislation for 1982-83 and in subsequent years.

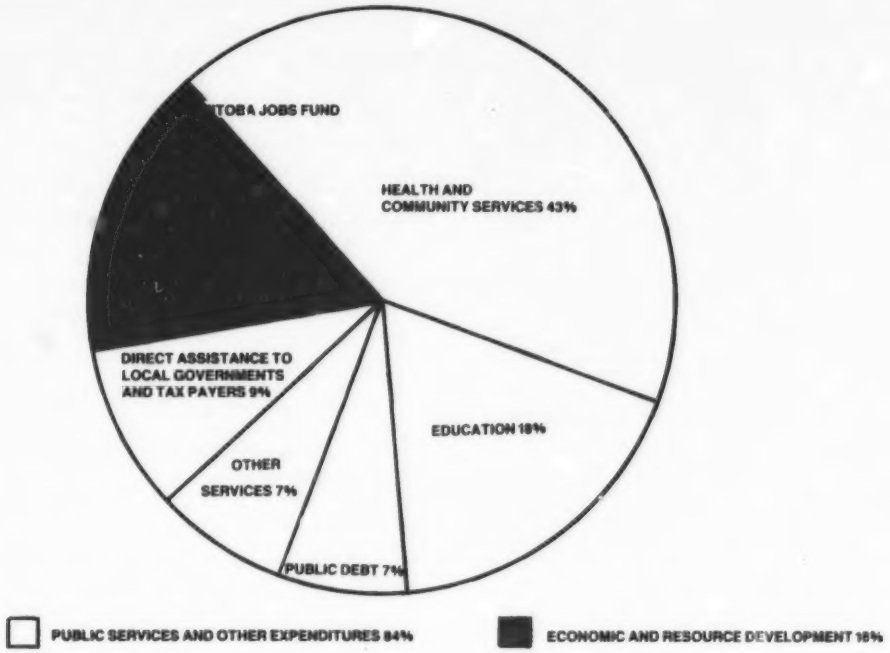
Under the Equalization Program, the Federal Government provides payments to a number of Provinces to supplement their per capita revenue from a broad range of their "own source" revenue. The payments which Provinces receive each year reflect both Federal estimates of entitlements for the current year and adjustments for prior years based on revised calculations of tax bases, tax rates and population. In 1985-86, Manitoba's Equalization cash receipts were $420 million through the formula in effect since 1982, plus an additional $50 million Supplementary Equalization payment by which the Federal Government recognized the continuing shortfall between Manitoba's fiscal need compared to that of other provinces, on one hand, and the actual provisions of the 1982 Equalization formula, on the other.

The other major general-purpose transfer payment included in this category is the cash transfer for financing Health and Post-Secondary Education. This "block funding" transfer is made available for general health and post-secondary education program purposes but is not calculated in relation to provincial costs for such programs. Contributions under this program are made on a per capita basis and are adjusted in line with changes in the growth rate of the Gross National Product. Established Programs cash receipts in 1985-86 totalled $410 million.

Conditional Transfers

In 1985-86, the Province received $226 million from the Federal Government through a variety of cost-sharing agreements under which the Federal Government reimburses the Province for a portion of expenditure incurred on specific programs. The largest of these programs provide Federal support for social assistance and social services under the Canada Assistance Plan, manpower training under agreements with the Canada Employment and Immigration Commission, and economic development under a series of agreements within the Federal Department of Regional Industrial Expansion.

MAJOR EXPENDITURE CATEGORIES — 1985–86


TOBA JOBS FUND
HEALTH AND COMMUNITY SERVICES 43%
DIRECT ASSISTANCE TO LOCAL GOVERNMENTS AND TAX PAYERS 9%
EDUCATION 18%
OTHER SERVICES 7%
PUBLIC DEBT 7%
PUBLIC SERVICES AND OTHER EXPENDITURES 84%
ECONOMIC AND RESOURCE DEVELOPMENT 16%

The Provincial Expenditure of a particular fiscal year consists of all payments made from the voted and statutory appropriations of that fiscal year. This total includes both "current" or "operating" expenditure as well as expenditure on items of a "capital" nature.

Expenditure Authority

"Voted" appropriations accounted for 92% of the 1985–86 expenditure. These amounts were expended on the authority of a supply vote in the Legislature or by special warrant approved by the Lieutenant Governor of Manitoba. Statutory appropriations, which accounted for the balance of the expenditure, were made on the authority of various provincial statutes and included such items as debt servicing costs and payments for hydro rates stabilization.

The total expenditure authority available to the Government for the 1985–86 fiscal year was $3,730 million. Actual expenditure for the year totalled $3,645 million or $85 million less than the total authority. Authority which is not utilized in a fiscal year lapses and cannot be carried forward to the following year.

Major Expenditure Categories

Departmental expenditure for 1985–86 is classified in the following Major Expenditure Categories:

HEALTH AND COMMUNITY SERVICES

Expenditure in this category amounted to $1,555 million or 43% of the provincial expenditure in 1985–86. Included in this category are expenditures by the Departments of Health, Community Services, Employment Services and Housing.

The expenditure by the Department of Health amounted to $1,149 million in 1985–86. Health is the largest department in the Government and is responsible for a broad range of programs, many of which are administered through the Manitoba Health Services Commission. Programs administered through the Manitoba Health Services Commission are the Hospital Program, for $624 million, the Medical Program, for $217 million, the Personal Care Home Program, for $152 million, and the Pharmacare Program for $28 million. The Department also provided institutional care for the mentally ill at a cost of $33 million.

Expenditure by the Department of Community Services totalled $170 million. The largest portion of these funds were required for Child and Family Services programs for $72 million, Community and Social Services for $60 million and Corrections and Probation Services for $33 million. The Department of Employment Services and Economic Security had expenditures in this category of $196 million for various forms of social programs. These included the Social Allowances Program for $163 million, the Manitoba Supplement for Pensioners for $3 million and the Child Income Support Program for $6 million.

Expenditure by the Department of Housing totalled $40 million in 1985–86. This total included expenditures to the Manitoba Housing and Renewal Corporation for $23 million, Grants and Subsidies for $6 million and the Critical Home Repair Program for $1 million.

EDUCATION

Education is the second largest department of the Government, with expenditure totalling $663 million or 18% of the total provincial expenditure. Financial support is provided through the Department both to Public Schools for $379 million and to Post-Secondary Adult and Continuing Education, including the Province's Community Colleges for $60 million and its Universities through the Universities Grants Commission for $156 million.

ECONOMIC AND RESOURCE DEVELOPMENT

Expenditure in this category amounted to $484 million or 14% of the total provincial expenditure in 1985–86. Included in this category are programs designed to sustain and encourage economic and resource development.

Highways and Transportation

Expenditure by the Department of Highways and Transportation totalled $195 million in 1985–86. Approximately $88 million of this total was expended on the continued construction of the highway system to service existing and new industries, resources and tourism, while an additional $68 million was expended on the maintenance program for the primary and secondary road system.

Natural Resources

Expenditure by the Department of Natural Resources totalled $86 million in 1985–86. This total included major expenditures for parks, water resources, forestry and other services.

Northern Affairs

Expenditure by the Department of Northern Affairs totalled $30 million in 1985–86. This total includes $16 million expended under the Canada–Manitoba Northern Development Agreement.

Agriculture

Department of Agriculture expenditure totalled $62 million, covering a broad range of services to the extremely important agricultural sector of the economy.

Other

Significant expenditures by other departments in this policy field in 1985–86 were made by Culture Heritage and Recreation for $20 million, Business Development and Tourism for $17 million, Energy and Mines for $11 million, Environment and Workplace Safety and Health for $12 million, Industry Trade and Technology for $9 million and the Hydro Rates Stabilization program for $34 million.

MANITOBA JOBS FUND

Manitoba Jobs Fund expenditure totalled $80 million or 2% of the total provincial expenditure in 1985–86. Approximately $30 million of this total was expended on projects of a capital nature. Overall, expenditures in this category included expenditure for Economic Development of $36 million, Housing and Urban Development of $29 million and Community Capital Projects of $15 million.

DIRECT ASSISTANCE TO LOCAL GOVERNMENTS AND TAXPAYERS

Expenditure in this category amounted to $314 million or 9% of the total provincial expenditure in 1985–86. The largest share of this total was expended by the Departments of Municipal and Urban Affairs whose combined expenditure totalled $101 million in 1985–86. The total includes direct assistance to municipalities through such programs as block funding for the City of Winnipeg and Grants in lieu of taxes. Unconditional income tax transfers to municipal governments in the amount of $33 million for 1985–86 are not included in these totals, but are shown as reductions from personal and corporation income tax revenue.

Income assistance expenditure for certain major programs, including the Property Tax Credit Program, the Pensioners' School Tax Assistance Program and the Cost of Living Tax Credit Program totalled $199 million in 1985–86. These Programs are the responsibility of the Department of Finance which administers them in conjunction with the Department of Municipal Affairs, the Manitoba Housing and Renewal Corporation and Revenue Canada.

OTHER SERVICES

Included in this category are expenditures for the provision of Government space requirements, financial management and other central services of the Government. Expenditures in 1985–86 amounted to $276 million or 7% of the total provincial expenditure. The total includes expenditure by the Departments of Government Services for $117 million, Attorney General for $72 million, Civil Service for $46 million, Finance for $15 million and Legislation and Executive Council for $11 million, Labour for $9 million, Consumer and Corporate Affairs for $4 million and Flood Control and Emergency Expenditures for $2 million.

PUBLIC DEBT

Expenditure in this category amounted to $273 million or 7% of the total provincial expenditure in 1985–86. This is a net expenditure after deduction of interest revenue received by the Province on loans and advances and from the investment of the Government's cash flow and sinking funds.

DIRECT AND GUARANTEED DEBT

The Province of Manitoba incurs "direct debt" through the issuance of bonds, debentures and other securities to secure funds for its own needs as well as for the capital requirements of certain of its Agencies. Debt incurred on behalf of these Agencies is generally self-supporting so that any debt service charges paid on this debt are recovered directly from the Agency.

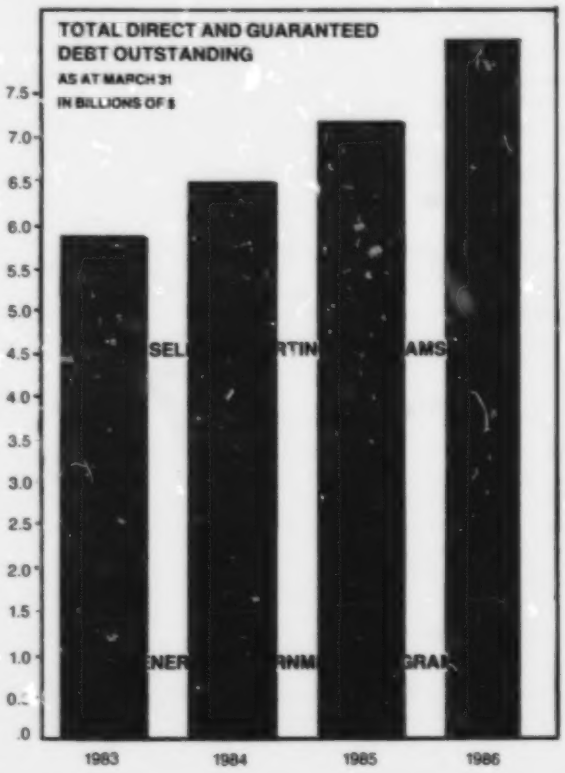
In addition to having direct debt, the Province also acts as a guarantor of securities issued by various other entities. This "guaranteed debt" is largely self-supporting although a part of it is on behalf of universities and hospitals that are serviced in whole or in part from Government appropriations.

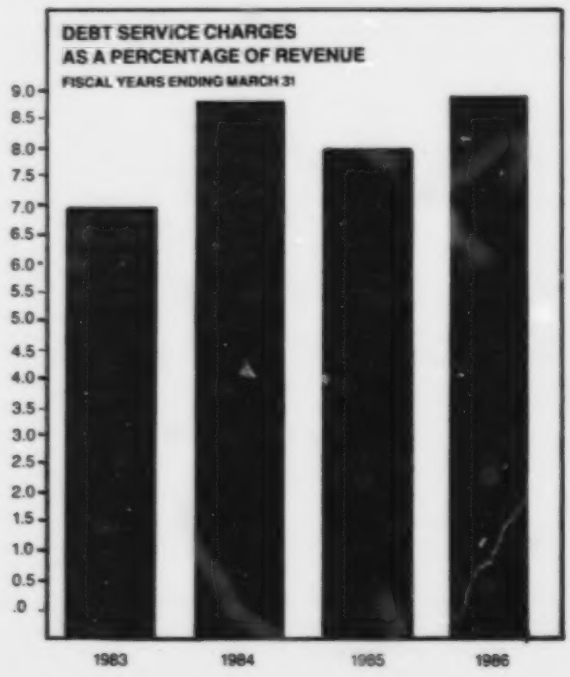
There is a requirement to maintain sinking funds for the repayment of both "direct debt" and "guaranteed debt" of the Province. These sinking funds are generally deducted from the applicable debt when determining the outstanding debt of the Province.

At March 31, 1986, the combined direct and guaranteed debt of the Province less cash and securities held in the sinking fund for debt redemption reached a level of $7,303 million of which $4,298 million represented debt issued for self-supporting programs. During the fiscal year ended March 31, 1986, the combined debt increased 12.3%.

DEBT SERVICE CHARGES

In the fiscal year ended March 31, 1986, the cost of servicing debt issued for the purpose of general Government programs reached a level of $273 million and represented approximately 8.8% of gross provincial revenue.





DEBT REFINANCING

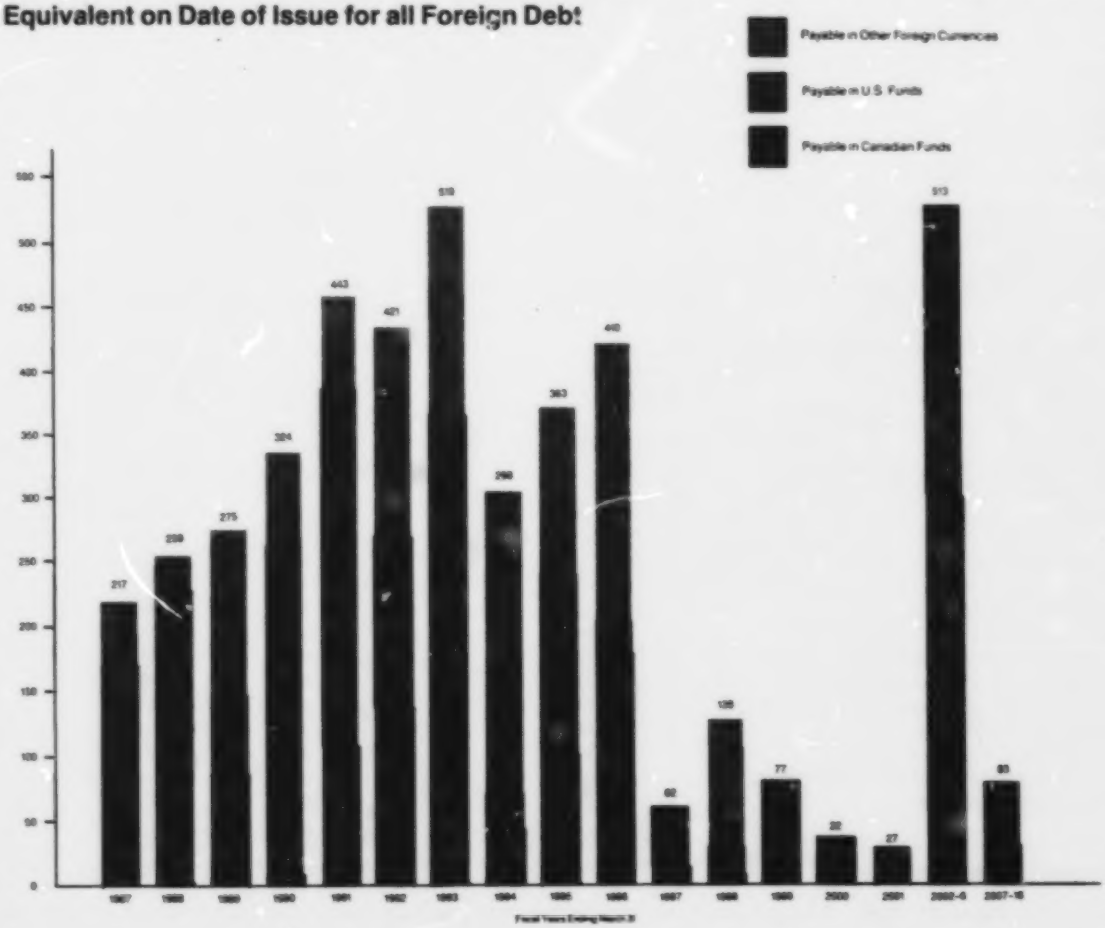
During the next decade, $5,240 million of the combined direct and guaranteed debt matures against which it is estimated that the Province will have accumulated approximately $1,710 million of sinking funds to be applied against such maturities leaving approximately $3,530 million of the debt to be refunded. These figures are based on the value of the debt calculated at foreign exchange values on date of issue for all foreign debt and does not include $325 million in Treasury Bills which are assumed to be continually refinanced and $399 million Manitoba Properties Inc. Shares. Commencing July 1, 1989 in each calendar quarter, Manitoba Properties Inc. will attempt to purchase ¾ of 1% of the shares outstanding as at June 30, 1989.

VALUATION OF FOREIGN DEBT

At March 31, 1986, approximately 47% of the total debt (direct and guaranteed) was payable in foreign currencies. Commencing with the 1986 fiscal year, the Province began amortizing the unrealized foreign currency gains and losses. The Statement on Page 12 shows the value of the Province's total debt at March 31, 1986 exchange rates, the amortized book value and the unamortized foreign exchange fluctuation at March 31, 1986.

Direct and Guaranteed Debt

Refunding Requirements (Net of Sinking Funds) by Fiscal Year Based on the Canadian Dollar Equivalent on Date of Issue for all Foreign Debt



GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF VALUATION AND PURPOSE OF BORROWINGS

As at March 31, 1986
(in thousands)

Valuation of Debt	Par Value	Canadian Dollar Equivalent at Date of Issue	Exchange Rate	as at March 31, 1986 Canadian Dollar Valuation	Amortized Book Value	Unamortized Foreign Exchange Fluctuation
Direct Debt Payable in:						
Canadian Dollars	3,419,590	$ 3,419,590	$1.00	$ 3,419,590	$ 3,419,590	$ –
U.S. Dollars	1,204,000	1,464,096	1.3973	1,682,349	1,539,911	142,438
Swiss Francs	1,084,000	606,132	0.7160	776,144	604,426	171,718
European Units of Account	4,000	4,320	2.9242	11,697	8,243	3,454
Japanese Yen (Note 1)	132,700,000	709,864	0.007472	991,499	723,911	267,588
Deutsche Marks	600,000	289,226	0.5959	357,540	288,170	69,370
Total Direct Debt		$ 6,493,228		$ 7,238,819	$ 6,584,251	$ 654,568
Guaranteed Debt Payable in:						
Canadian Dollars	1,078,591	$ 1,078,591	$1.00	$ 1,078,591	$ 1,078,591	$ –
U.S. Dollars	773,000	772,490	1.3973	1,080,113	880,154	199,959
Swiss Francs	160,000	85,354	0.7160	114,560	93,233	21,327
Deutsche Marks	22,582	6,915	0.5959	13,457	9,900	3,557
Total Guaranteed Debt		$ 1,943,350		$ 2,286,721	$ 2,061,878	$ 224,843
Total Direct & Guaranteed Debt		$ 8,436,578		$ 9,525,540	$ 8,646,129	$ 879,411
Purpose of Debt						
General Government Programs		$ 3,761,530		$ 4,218,280	$ 3,802,817	$ 415,463
Other:						
The Manitoba Hydro–Electric Board		$ 2,979,564		$ 3,570,034	$ 3,147,878	$ 422,156
The Manitoba Telephone System		648,358		690,150	648,358	41,792
Manitoba Properties Inc.		399,143		399,143	399,143	–
The Manitoba Agricultural Credit Corporation		188,914		188,914	188,914	–
Manitoba Jobs Fund Programs		159,165		159,165	159,165	–
The Manitoba Housing & Renewal Corporation		113,549		113,549	113,549	–
Manfor Ltd.		81,920		81,920	81,920	–
The Manitoba Beef Stabilization Fund		21,000		21,000	21,000	–
The Manitoba Water Services Board		17,749		17,749	17,749	–
University of Manitoba		17,405		17,405	17,405	–
Federal–Provincial Loan Agreements		10,611		10,611	10,611	–
Emergency Interest Rate Relief Program		9,000		9,000	9,000	–
Manitoba Mineral Resources Ltd.		8,400		8,400	8,400	–
The Manitoba Hog Income Stabilization Plan		7,600		7,600	7,600	–
Manitoba Data Services		5,094		5,094	5,094	–
The Manitoba Oil & Gas Corporation		5,000		5,000	5,000	–
Municipal, Hospital & Other Indebtedness		1,526		1,526	1,526	–
Venture Capital Program		1,000		1,000	1,000	–
		$ 4,674,998		$ 5,307,260	$ 4,843,312	$ 463,948
Total Direct & Guaranteed Debt		$ 8,436,578		$ 9,525,540	$ 8,646,129	$ 879,411

Note 1: The March 31, 1986 Canadian Dollar Valuation of the Province's Japanese Yen Debt is based on 107.2 billion Japanese Yen converted at a rate of $ 0.007873 Canadian and U.S. $ 105.57 million (representing 25.5 billion Japanese Yen covered under currency exchange agreements) converted at a rate of $ 1.3973 Canadian. Calculation may differ due to rounding.

Financial Statements

for the year ended

March 31, 1986

THE PUBLIC ACCOUNTS

"Public Accounts" is the term commonly used to describe the complete set of financial statements prepared annually by the Government of the Province of Manitoba. The requirement for the preparation of the Public Accounts is statutory, in accordance with the Financial Administration Act, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts are published in two volumes. The first volume contains the Financial Statements for the fiscal year, which are prepared in accordance with the accounting policies of the Government. It includes, as well, detailed accounting information and the Provincial Auditor's Report on the Public Accounts. The second volume contains Supplementary Information regarding details of Salaries and Wages paid to Employees, Cash Payments to Corporations, Firms, Individuals, Other Governments and Government Agencies and Cash Payments from Departmental Appropriations during the fiscal year.

ACCOUNTING POLICIES

The accounting policies of the Government are a set of standards or practices that the Government has adopted for purposes of accounting and financial reporting. The practices followed by the Manitoba Government are those generally accepted for accounting and financial reporting by Governments in Canada, although some differences exist between Provinces. Any changes in accounting policies from those followed in the preceding year must be reported in the Public Accounts. The accounting policies followed by the Government of the Province of Manitoba with respect to the preparation of the financial statements included in the Public Accounts as well as those in this publication are reprinted on page 28. This information is organized into two sections:

Statement
This is a brief summary of the basic accounting policies followed by the Government.

Application
This section describes in more detail the application of the accounting policies to the Revenue and Expenditure of the fiscal year and to the Asset and Liability Accounts reported at fiscal year end.

STATEMENTS INCLUDED IN THIS FINANCIAL REPORT

The financial transactions of the Government are recorded in "The Consolidated Fund". The activities of "The Consolidated Fund" are divided into the "Operating Fund", which records the operational activities of the Government, and the "Trust Fund", which records the various categories of trust monies administered by the Government. This publication presents the Summary Financial Statements which are prepared for the Operating Fund and published in the Public Accounts. The trust administration activities of the Government are reflected in these statements only to the extent that trust money is held and invested through the Operating Fund by the Minister of Finance.

The following provides a brief description of the Summary Financial Statements.

STATEMENT OF FINANCIAL POSITION — OPERATING FUND

This statement summarizes the Province's financial condition in terms of its financial assets and liabilities at the end of the fiscal year and reports the amount by which the liabilities of the Province exceeds its financial assets.

Financial assets are those assets on hand at the end of the fiscal year which could provide resources to discharge existing liabilities or finance future operations of the Government. Accordingly financial assets do not include inventories of supplies, equipment or any other acquired physical assets that are intended for consumption in the normal course of operations and that do not normally provide resources to discharge existing liabilities or finance future operations.

The excess of liabilities over financial assets provides a measure of the future revenues required to pay for past transactions and events. This amount results essentially from an accumulation of net expenditures for lasting tangible assets, lasting intangible benefits and the accumulated excess of expenditure over revenue from past operations, all of which were funded by borrowings to be serviced from future revenues.

STATEMENT OF REVENUE AND EXPENDITURE

This statement provides a summary of the Province's revenue by source and type and expenditure by nature and purpose. Information is provided on the amount of capital expenditure which is used to differentiate the Excess of Expenditure Over Revenue from the Net Operating Deficit. Amounts that are taken to the Excess of Liabilities Over Financial Assets Account, including the write-down or write-off of assets or other adjustments are also reported on this statement.

STATEMENT OF CHANGES IN FINANCIAL POSITION — OPERATING FUND

This statement reports the effects of the Province's activities on its cash resources. It discloses the cash and equivalents required during the fiscal year for operating and investing activities as well as how the financing was provided to meet this requirement.

NOTES AND SCHEDULES TO THE FINANCIAL STATEMENTS

Notes and schedules are integral to the financial statements and are used to report information required for a fair presentation of the Government's financial condition and results of operations. They are also used to clarify and explain items in the financial statements and are cross-referenced to the specific financial statement items to which they relate.

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF FINANCIAL POSITION – OPERATING FUND

AS AT MARCH 31, 1986
(with comparative figures for March 31, 1985)

Schedule No		($ millions) 1986	1985
	FINANCIAL ASSETS		
	Cash and Equivalents	$ 552	$ 636
1.	Revenue Receivable	138	93
2.	Loans and Advances		
	Crown Corporations, Agencies, Boards and Commissions	2,523	2,040
	Other Governments	11	12
	Others	86	66
3.	Long–Term Investments	286	295
	Valuation Allowance	(193)	(173)
	Total Financial Assets	$ 3,403	$ 2,969
	LIABILITIES		
	Amount owing to the Trust Fund	$ 488	$ 526
4.	Accounts Payable, Accrued Charges and Funds Subject to Call	294	235
5.	Borrowings (Note 1):		
	Bonds and Debentures	3,912	3,355
	Canada Pension Plan	1,172	1,139
	Government of Canada	155	158
	Treasury Bills	325	130
	Provision for Unrealized Foreign Currency Losses	209	–
	Total Liabilities	$ 6,555	$ 5,543
	EXCESS OF LIABILITIES OVER FINANCIAL ASSETS AND OTHER OBLIGATIONS HELD BY THE PROVINCE CONSIDERED TO BE SIMILAR IN NATURE		
	Serial Debentures of School Divisions and Districts	$ 176	$ 189
	Securities Received from Sale of Land and Buildings (Notes 2 and 3)	182	129
	Excess of Liabilities over Financial Assets	2,794	2,256
	Total Excess of Liabilities Over Financial Assets and Similar Items	$ 3,152	$ 2,574

Information concerning the Government's Guaranteed and Indirect Liabilities, Financial Commitments and Contingent Liabilites can be found in the Notes and Schedules To The Financial Statements.

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF REVENUE AND EXPENDITURE

For the Year Ended March 31, 1986
(with comparative figures for the year ended March 31, 1985)

($ millions)

	1986 Budget Estimate	1986 Actual	1985 Actual
REVENUE			
Manitoba Collections			
Retail Sales Tax	$ 417	$ 437	$ 391
Fuel Taxes	172	164	147
Liquor Control Commission	141	139	136
Levy for Health and Education	116	119	111
Other Taxes	215	208	180
Fees and Other Revenue	161	167	145
Income Taxes			
Corporation Income Tax	130	127	130
Individual Income Tax	652	650	587
Federal Transfers			
Equalization	480	470	478
Health and Higher Education	427	410	405
Shared-Cost and Other	212	226	214
TOTAL REVENUE	$ 3,123	$ 3,117	$ 2,924
EXPENDITURE (Schedule 6)			
Health and Community Services	$ 1,529	$ 1,555	$ 1,447
Education	663	663	654
Economic and Resource Development	543	530	516
Manitoba Tax Credit Plans	199	199	192
Direct Local Government Assistance	120	115	111
Public Debt	263	273	224
Hydro Rates Stabilization	19	34	18
Consumer Services, Public Protection and Other Government Services	283	276	245
TOTAL EXPENDITURE	$ 3,619	$ 3,645	$ 3,407
EXCESS OF EXPENDITURE OVER REVENUE	$ 496	$ 528	$ 483
LESS: GROSS CAPITAL EXPENDITURE	303	277	292
NET OPERATING DEFICIT	$ 193	$ 251	$ 191
AMOUNTS TAKEN TO EXCESS OF LIABILITIES OVER FINANCIAL ASSETS ACCOUNT:			
EXCESS OF EXPENDITURE OVER REVENUE (AS ABOVE)		$ 528	$ 483
SALE OF LAND AND BUILDINGS (NOTES 2 AND 3)		(252)	(324)
WRITE-DOWN OF COMMON SHARES OF MANITOBA DEVELOPMENT CORPORATION (NOTE 8)		50	–
WRITE-OFF OF LOAN TO CANADIAN CO-OPERATIVE IMPLEMENTS LTD (NOTE 9)		3	–
PRIOR YEAR ADJUSTMENTS FOR ACCOUNTING POLICY CHANGES (NOTE 10)		189	–
INCREASE IN VALUATION ALLOWANCE		20	42
TOTAL INCREASE IN EXCESS OF LIABILITIES OVER FINANCIAL ASSETS		$ 538	$ 201

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF CHANGES IN FINANCIAL POSITION – OPERATING FUND

For the Year Ended March 31, 1986
(with comparative figures for the year ended March 31, 1985)

($ millions)

	1986 Budget Estimate	1986 Actual	1985 Actual
Beginning Cash and Equivalents		$ 636	$ 565
Operating Transactions:			
Excess of Expenditure Over Revenue	$ (496)	$ (528)	$ (483)
Non–Cash Items in Revenue and Expenditure:			
Increase in Revenue Receivable	–	(2)	(4)
Increase in Accounts Payable, Accrued Charges and Funds Subject to Call	–	54	14
Provision for Foreign Currency Losses	–	16	–
Cash and Equivalents Required For Operations	$ (496)	$ (460)	$ (473)
Investing Transactions (Note 12):			
Acquired/Made	$ (906)	$ (839)	$ (225)
Redeemed/Realized	117	306	158
Cash and Equivalents Required For Investing	$ (789)	$ (533)	$ (67)
Financing Transactions (Note 12):			
Debt Issued			
Foreign	N.E.	$ 763	$ 413
Domestic	N.E.	526	225
	$ 1,250	$ 1,289	$ 638
Debt Redeemed			
Foreign	(85)	(258)	(111)
Domestic	(9)	(9)	(22)
Payment from Provision for Foreign Currency Losses	(63)	(62)	–
Increase in Sinking Funds	(147)	(212)	(144)
	$ 946	$ 748	$ 361
Sale of Land and Buildings To Manitoba Properties Inc.	200	199	195
Change in Trust Funds	–	(38)	55
Cash and Equivalents Obtained From Financing	$ 1,146	$ 909	$ 611
Change in Cash and Equivalents During Period	$ (139)	$ (84)	$ 71
Ending Cash and Equivalents		$ 552	$ 636
Represented by:			
Cash in Bank (Overdraft)		$ (3)	$ (42)
Term Bank Deposits		210	336
Government and Crown Corporation Bills and Notes		598	555
		$ 805	$ 849
Less: Uninvested Cash Belonging to Provincial Sinking Fund		253	213
		$ 552	$ 636

N.E. – Not Estimated

GOVERNMENT OF THE PROVINCE OF MANITOBA

NOTES AND SCHEDULES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1986

1. BORROWINGS

All borrowings are expressed in Canadian dollars. In the case of foreign borrowings, the par value is converted at the exchange rate in effect at the date of issue or the actual conversion rate of the proceeds. When foreign debt is revalued using the exchange rates in effect at March 31, 1986, total borrowings is increased to $7,209 million ($5,642 million for 1985) before deduction of Sinking Funds.

The weighted average rate of interest based on actual interest payments made during 1985–86 was 11.12% (10.87% for 1984–85).

2. SECURITIES RECEIVED FROM SALE OF LAND AND BUILDINGS

During 1984–85 and 1985–86 the Province sold land and buildings with an aggregate value of $917 million to Manitoba Properties Inc. (MPI). The sale was arranged through two intermediary Crown Corporations, Manitoba Properties Leasing Inc. and Manitoba Properties Management Inc. and resulted in the Province receiving common shares of these two corporations along with promissory notes of MPI and cash as the purchase consideration. The Province has allocated $341 million of the sales proceeds to a special valuation account to reflect the potential diminution of the common shares that could occur as dividends are paid to the preferred shareholders of MPI. The status of the securities and valuation account at March 31st was as follows:

	($ Millions) 1986	1985
Shares of Manitoba Properties Leasing Inc.	$ 149	$ 100
Shares of Manitoba Properties Management Inc.	149	100
Promissory Notes of Manitoba Properties Inc.	182	129
	$ 480	$ 329
Less: Special Valuation Account	298	200
	$ 182	$ 129

The value of the common shares and the valuation account have each been reduced by $43 million to March 31, 1986 to reflect the dividends paid by MPI as of its most recent fiscal year–end, January 31, 1986.

If the operations of MPI were consolidated in the financial statements of the Province, these securities would not be reflected as assets because they do not represent claims against other parties. Information regarding the effects of consolidation is provided in the following note.

3. EFFECT OF CONSOLIDATION OF MANITOBA PROPERTIES INC.

The sale and subsequent lease–back of land and buildings to Manitoba Properties Inc. has resulted in ownership by the Province of securities that, if the accounts were consolidated, would no longer appear in the Financial Statements because these are not amounts owing by third parties. Consolidation would have the following effect on the Statement of Financial Position at March 31, 1986 and on the Statement of Revenue and Expenditure for the year ended March 31, 1986:

a) As indicated, Securities Received From Sale of Land and Buildings in the amount of $182 million would be eliminated.

b) Promissory notes of $5 million from Manitoba Properties Inc., shown under Loans and Advances, would be eliminated. These funds were advanced to cover administrative costs of Manitoba Properties Inc.

c) Liabilities would be increased by $399 million to reflect the outstanding preferred shares of Manitoba Properties Inc. (with an equivalent decrease in guaranteed and indirect liabilities).

d) The aggregate of these amounts, totalling $586 million, would be an increase to the Excess of Liabilities Over Financial Assets account. This amount exceeds the total of amounts that were originally credited to the excess account at the time of sale by $10 million. This difference results primarily from share issuance and administrative costs incurred by Manitoba Properties Inc.

e) The net effect on the expenditure accounts of the Government would be an increase in public debt costs of $46 million and a decrease in expenditure for other government services of $43 million. (The amounts for March 31, 1985 are $31 million and $24 million respectively).

4. GUARANTEED AND INDIRECT LIABILITIES

Debt issued by Crown Corporations, Agencies, Boards and Commissions which is guaranteed by the Government as at March 31st:

	($ Millions) 1986	1985
Self-supporting Debt	$ 1,531	$ 1,658
Debt of Crown Corporations Whose Main Source of Income is the Consolidated Fund	399	278
Debt Serviced in Whole or in Part from the Consolidated Fund	13	14
	$ 1,943	$ 1,950
LESS: Applicable Sinking and Other Related Trust Funds	262	341
	$ 1,681	$ 1,609

5. FINANCIAL COMMITMENTS

The Government has entered into long-term financial arrangments wherein indebtedness has been issued that is not guaranteed by the Government but the funds required for the payment of principal and interest will be either fully or partially provided from appropriations of the Consolidated Fund. As well, the Government has made future commitments against appropriations under long-term contracts which cover the acquisition and/or rental of physical assets. These financial commitments as at March 31st are as follows:

	($ Millions) 1986	1985
LONG-TERM FINANCIAL ARRANGEMENTS:		
Hospitals and personal care homes	$ 298	$ 301
Public Schools	213	219
Manitoba Housing and Renewal Corporation	232	234
Manitoba Water Services Board	3	3
Brandon University	1	1
	$ 747	$ 758
FUTURE COMMITMENTS:		
Acquisition of Physical Assets	102	99
Rental of Physical Assets	96	58
	$ 945	$ 915

In addition to the approved outstanding debt for Hospitals and Personal Care Homes, lines of credit up to $126,505,000 ($55,675,000 as at March 31, 1985) have been approved to finance capital projects currently in process. On completion of these projects, the borrowings will be converted to long-term debt.

6. CONTINGENT LIABILITIES

The Government has provided guarantees for the following and accordingly has a contingent liability in the event of default:

	Maximum Guarantee	Amount Outstanding March 31, 1986	March 31, 1985
		($ Millions)	
Mortgages	$ 1	$ 1	$ 1
Performance Bonds	53	53	53
Promissory Notes	175	126	152
Bank Loans and Lines of Credit	30	18	16
	$ 259	$ 198	$ 222

This does not include Guarantees that may be provided by Crown Corporations, Agencies, Boards and Commissions under their own separate authority.

7. PENSION LIABILITY

The Province is required by legislation to pay 50% of the pension disbursements made to retired Provincial employees (with the exception of the share payable by Government Agencies for their employees) and to retired teachers. Such payments are charged to departmental appropriations as incurred and no provision is made to fund current or past service obligations of the Province to the Civil Service Superannuation Fund or to the Teachers Retirement Allowances Fund. The reserves which are presently held in these Funds represent only the employees' obligation towards the total pension liability.

An acturial valuation and report of the Government's liability to The Civil Service Superannuation Fund was determined as at December 31, 1983. The report also provided a formula to update the liability on an annual basis. In accordance with the formula adopted by the actuary, the Government's actuarial liability to The Civil Service Superannuation Fund has been calculated at approximately $285 million as at December 31, 1985 (approximately $250 million as at December 31, 1984). The liability of the Province to The Teachers' Retirement Allowances Fund has not been established by an actuarial

valuation. The reserve which is held in the Teachers' Retirement Allowances Fund, representing the employees' obligation towards the total pension liability, amounted to $413 million as at December 31, 1985 ($359 million as at December 31, 1984). The Province's liability should approximate these amounts.

8. WRITE-DOWN OF COMMON SHARES OF MANITOBA DEVELOPMENT CORPORATION

The Manitoba Deveopment Corporation (MDC), whose capital stock is wholly owned by the Province, has disposed of it's long term investment in Flyer Industries Limited. Ownership of Flyer Industries has been transferred to BV Carrosseriefabriek Den Oudsten En Zonen of Woerden, Holland effective July 15, 1986.

The accumulated operating losses of Flyer Industries Limited have been recognized annually in the accounts of MDC by means of an allowance for potential losses. The resulting decrease in the value of the MDC capital stock owned by the Province has been provided for by the Province through a valuation allowance placed against these shares ($43.5 million at March 31, 1985). The sale to Den Oudsten has resulted in the recognition of the permanent reduction in the value of MDC capital stock, which has been written down to one dollar. The Province faces additional costs as the result of the divestiture of Flyer Industries that will be borne in the 1986–87 fiscal year and subsequent fiscal years as costs are incurred in accordance with the share purchase agreement between MDC and Den Oudsten. These costs are estimated at $40 million to cover the payment of bank loan guarantees, technology acquisition and training costs, warranties and completion of contracts in process, after allowing for recoveries from the disposal of Flyer assets.

9. WRITE-OFF OF LOAN TO CANADIAN CO-OPERATIVE IMPLEMENTS LTD.

Loans in the aggregate amount of $2,975,000 have been deemed uncollectible by the Province and have been written off pursuant to authority provided under the Financial Administration Act. The Province has also guaranteed a bank line of credit for the company, in the amount of $2,800,000 as at March 31, 1986, for which the Province has a contingent liability. This amount is reported in the contingent liabilities shown in Note 6 above.

10. PRIOR YEAR ADJUSTMENTS RESULTING FROM CHANGES IN ACCOUNTING POLICIES

Accounting policy changes were made during the fiscal year in order that Public Debt costs would be recorded on an accrual basis rather than the modified cash basis previously followed. These changes resulted in a net increase to the Excess of Liabilities Over Financial Assets Account, as summarized below:

	($ Millions)
Interest payable on trust funds	4
Provision for unrealized foreign currency losses	256
Debt issue costs	(28)
Interest earned from advances and investments	(24)
Sinking Fund investment (discount) premium	(19)
	$ 189

The comparative data presented for the prior year has not been restated to reflect these changes. The effect of these changes on the revenue and expenditure of the current fiscal year has been to decrease the excess of expenditure over revenue by $51 million, mainly as a result of the change in the recognition of foreign currency losses on long-term debt. The losses on debt maturing in 1985–86 were amortized over the life of the debt issues rather than being completely charged to the year of maturity.

11. LEGISLATIVE AUTHORITY FOR BORROWING AND EXPENDITURE

Limits established by legislation for borrowing funds and for expenditure from appropriations are shown below along with information regarding any non-compliance with these limits that may have occurred during the fiscal year.

1) BORROWING:

($ Millions)

	Appropriaton Acts	Loan Acts
Incremental Non-Lapsing Authority Provided in 1985 Acts	$ 700	$ 1,323
Amount Used During the Fiscal Year Ended March 31, 1986	396	101
Available for Future Years	$ 304	$ 1,222
Unused Borrowing Authority From Loan Acts of Prior Years	–	193
	$ 304	$ 1,415
Less: Encumbered for Specific Purposes	–	71
Unencumbered Borrowing Authority at March 31, 1986	$ 304	$ 1,344

2) **EXPENDITURE:**

A) CHANGES FROM ORIGINAL BUDGET ESTIMATE

The original budget estimate shown on the Statement of Revenue and Expenditure consists of the statutory and voted appropriations that are authorized in the Main and Supplementary Estimates. This amount was increased during the fiscal year as follows:

	($ Millions)
ORIGINAL:	
Main and Supplementary Estimates (including general Statutory Appropriations)	$ 3,619
INCREASED BY:	
Special Warrants	86
Adjustment of estimated amount of statutory appropriations to actual expenditure	24
Total Authorized Expenditure	$ 3,729

B) NON-COMPLIANCE WITH APPROPRIATION LIMITS

Two voted appropriations of the Government ended the fiscal year in a net overexpended position because the programs involved processed expenditures in excess of the amounts recovered from Departments. These programs provide a central service to other Government Departments and, as authorized by the Appropriation Act, incurred expenditures on behalf of Departments in anticipation of recoveries. Because the recoveries did not materialize prior to the close of the fiscal year, the following net overexpenditures were incurred (rounded to the nearest dollar):

Appropriation XIV–3 Communication Services in the Department of Culture, Heritage and Recreation	$ 241,915
Appropriation VIII–4 Project Services in the Department of Government Services	12,310

In addition to the above, fifteen other appropriations of the Government had late accounts paid in the 1986–87 fiscal year that were in excess of the balance remaining in the appropriation at March 31, 1986. Because these late accounts were liabilities at March 31, 1986, they result in non–compliance with appropriation limits established for the respective programs.

12. **COMPARISON TO BUDGET ESTIMATE**

For purposes of providing a meaningful comparison of changes in the Operating Fund financial position with the budget estimate, in addition to the budget data, other internally developed management information has been also included in the budget estimate information.

13. **TRUST FUND**

The Operating Fund financial statements show an amount owing to the Trust Fund which primarily represents surplus cash of Crown Corporations, Agencies, Boards and Commissions on deposit with the Minister of Finance for investment but not specifically invested. The assets and liabilities of the Trust Fund itself as at March 31st are as follows:

	($ Millions) 1986	1985
ASSETS		
Amount due from Operating Fund	$ 488	$ 526
Cash and Investments	569	542
Total Trust Assets	$ 1,057	$ 1,068
LIABILITIES		
Trust Fund Balances	$ 1,057	$ 1,068
Total Trust Liabilities	$ 1,057	$ 1,068

In addition, the Trust Fund includes trust funds where the Government responsibility is custodial in nature. As at March 31, 1986 and March 31, 1985 these funds are reported as $530 million and $458 million, respectively.

GOVERNMENT OF THE PROVINCE OF MANITOBA

REVENUE RECEIVABLE

SCHEDULE 1

As at March 31, 1986

(with comparative figures for the year ended March 31, 1985)

($ millions)

	1986	1985
Tax Revenue:		
Retail Sales Tax	$ 34	$ 31
Motive Fuel Tax	5	4
Gasoline Tax	9	8
Tobacco Tax	6	6
Revenue Act, 1964	3	4
	$ 57	$ 53
Interest Income:		
Province of Manitoba Sinking Fund	$ 16	$ –
Other Investments	13	–
	$ 29	$ –
Government of Canada and Other Governments:		
Shared Cost programs	$ 52	$ 40
	$ 138	$ 93

GOVERNMENT OF THE PROVINCE OF MANITOBA

SCHEDULE 2

LOANS AND ADVANCES

As At March 31, 1986

(with comparative figures for March 31, 1985)

($ Millions)

	Crown Corporations, Agencies, Boards And Commissions	Other Governments	Others	1986 Total	1985 Total
When Due:					
On Demand	$ 161	$ –	$ 46	$ 207	$ 135
1–5 Years	995	5	14	1,014	760
6–10 Years	1,073	4	17	1,094	972
11–20 Years	300	2	9	311	227
Over 20 Years	109	–	–	109	126
Totals	$ 2,638	$ 11	$ 86	$ 2,735	$ 2,220
Less: Sinking Funds	115	–	–	115	102
	$ 2,523	$ 11	$ 86	$ 2,620	$ 2,118
Valuation Allowance	27	–	35	62	36
Net	$ 2,496	$ 11	$ 51	$ 2,558	$ 2,082

GOVERNMENT OF THE PROVINCE OF MANITOBA

LONG-TERM INVESTMENTS

SCHEDULE 3

As at March 31, 1986
(with comparative figures for March 31, 1985)

($ millions)

	Crown Corporations	Others	1986 Total	1985 Total
Shares:				
Common	$ 38	$ 3	$ 41	$ 86
Preferred	241	–	241	205
Debentures	4	–	4	4
	$ 283	$ 3	$ 286	$ 295
Valuation Allowance	130	1	131	137
Net	$ 153	$ 2	$ 155	$ 158

GOVERNMENT OF THE PROVINCE OF MANITOBA

ACCOUNTS PAYABLE, ACCRUED CHARGES AND FUNDS SUBJECT TO CALL

SCHEDULE 4

As at March 31, 1986
(with comparative figures for March 31, 1985)

($ millions)

	1986	1985
Accounts Payable	$ 156	$ 113
Interest Accrued on Provincial Borrowings and Trust Funds	136	122
Funds Subject to Call re:		
Shared Cost Programs	2	–
	$ 294	$ 235

SCHEDULE 5

GOVERNMENT OF THE PROVINCE OF MANITOBA

SCHEDULE OF LIABILITIES FOR BORROWINGS

As At March 31, 1986
(with comparative figures for March 31, 1985)

($ millions)

Fiscal Year of Maturity	Bonds and Debentures Cdn $	Bonds and Debentures US $	Other	Canada Pension Plan Cdn $	Govt of Canada Cdn $	Treas Bills Cdn $	Totals 1986	Totals 1985
1986	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 224
1987	101	27	41	32	4	325	530	194
1988	226	16	14	39	4	–	299	299
1989	76	106	141	43	4	–	370	370
1990	1	285	86	45	5	–	422	422
1991	110	298	67	52	5	–	532	347
1987–1991	514	732	349	211	22	325	2,153	1,632
1992–96	658	489	1,154	333	27	–	2,661	2,171
1997–2006	43	243	107	1,133	75	–	1,601	1,363
2007–16	–	–	–	–	49	–	49	52
1992–2016	701	732	1,261	1,466	151	–	4,311	3,586
Total Borrowings	1,215	1,464	1,610	1,677	173	325	6,464	5,442
Reduced By:								
Unamortized Debt Issue Costs	2	10	16	–	–	–	28	–
	1,213	1,454	1,594	1,677	173	325	6,436	5,442
Sinking Funds Provided	76	173	100	505	18	–	872	660
	$ 1,137	$ 1,281	$ 1,494	$ 1,172	$ 155	$ 325	$ 5,564	$ 4,782

GOVERNMENT OF THE PROVINCE OF MANITOBA

EXPENDITURE BY OBJECT

SCHEDULE 6

As at March 31, 1986
(with comparative figures for the year ended March 31, 1985)

	($ millions) 1986	1985
Personnel Services	$ 509	$ 480
Grants/Transfer Payments	2,043	1,940
Transportation	11	9
Communications	20	17
Supplies and Services	210	172
Social Assistance Related	236	216
Other Operating	32	39
Capital	277	292
Public Debt	273	224
Hydro Rates Stabilization	34	18
	$ 3,645	$ 3,407

GOVERNMENT OF THE PROVINCE OF MANITOBA

ACCOUNTING POLICIES- STATEMENT AND APPLICATION

STATEMENT OF ACCOUNTING POLICIES

The basic accounting policies followed by the Government of Manitoba, which have been applied in the preparation of these Financial Statements are summarized below. These policies have been developed and are applied in accord with the provisions of the Financial Administration Act, which is Chapter F55 of The Continuing Consolidation of The Statutes of Manitoba. Further information regarding their application to the financial transactions of the Government is provided in the section entitled "Application of Accounting Policies".

I. THE ACCOUNTING ENTITY

The financial transactions of the Government are recorded in "The Consolidated Fund". The activities of The Consolidated Fund are divided into the "Operating Fund", which records the operational activities of the Government, and the "Trust Fund", which records the trust administration function.

Financial statements prepared for the "Operating Fund" report amounts received as Government revenue, expenditure on Government programs, the lending and investment of Government funds and the borrowing and repayment of debt. Financial statements prepared for the "Trust Fund" report the activities in the various categories of trust money administered by the Government.

The financial operations of the provincial Crown Corporations, Agencies, Boards and Commissions are reflected in The Consolidated Fund to the extent that:

1) They receive money from or pay money to the Government.
2) Any deficits they incur are adjusted against the amounts loaned, advanced or invested in them by the Government.

II. BASIS OF ACCOUNTING FOR REVENUE AND EXPENDITURE

A REVENUE

i) Revenue is ordinarily recorded on a cash basis, with the exception of provincially collected tax revenue, income from investments and advances, shared-cost receipts and Canada-Manitoba Fiscal Arrangements. Accordingly, all money received by Departments on or before March 31 is included in the revenue for the fiscal year, provided that it is deposited with the Minister of Finance prior to the thirtieth day of April, immediately following.

ii) Provincially collected taxes received by the Government in April with respect to collections made by Agents during March are recorded as revenue for the fiscal year just ended.

iii) Income from investments and interest on advances are recorded on an accrual basis. In the case of the provincial sinking funds, any discount or premium arising on purchase is amortized over the period to maturity.

iv) Money received pursuant to shared-cost agreements and arrangements that extend over more than one fiscal year is recorded as revenue in each fiscal year in proportion to the related expenditure made in the respective year.

v) Revenue and expenditure are recorded in gross amounts (referred to as the Gross Accounting Concept) with the exception of the Municipal Share of Individual and Corporation Income Taxes, which is paid to Municipalities in accordance with the Provincial-Municipal Tax Sharing Act and is not recorded as revenue by the Government.

vi) Recoveries from Crown Corporations and Government Agencies of the debt servicing costs on self-supporting debt are recorded as a reduction of Public Debt expenditure. The same treatment is also given to income earned on investments and interest on advances.

B EXPENDITURE

Expenditure is recorded on a cash basis, modified to allow an additional forty-five days after the end of the fiscal year for the processing of payments pertaining to that fiscal year. Salaries and wages, however, are charged to the fiscal year in which they are paid.

An accrual is made to March 31st for interest payable on bonds, debentures and other long-term debt and on trust funds invested with the Minister of Finance. An annual provision is made for unrealized losses (gains) on long-term debt that is payable in foreign currencies so that this cost is amortized over the life of the debt issue. Any discount, premium or commission incurred on the issue of the debt is also amortized over the life of the issue.

III. ASSETS AND LIABILITIES

1. The assets and liabilities reported in the financial statements are financial claims consisting of assets which are claims by the Government on other parties and liabilities which are claims by other parties on the Government.
2. Expenditure for the acquisition and/or construction of physical assets together with inventories and other deferred expenditures is not considered to differ from any other service to the public and accordingly is treated as an expenditure of the year in which the expenditure is made. Since such expenditure does not represent financial claims on others, it is not reported as an asset at fiscal year end. This does not negate the fact that the Government has substantial holdings of physical assets such as buildings, highways, education and health facilities, which may tend to appreciate in value over time.
3. Loans, advances and long-term investments held by the Government are subject to annual revaluation. A Valuation Allowance is provided and is adjusted annually to reflect the estimated change in value of these assets.

4. Bonds, debentures and other long-term debt are recorded as liabilities at the par value of such securities. Any discount, premium or commission incurred at the time of issue of the debt is amortized over the life of the debt issue. For foreign issues, the par value is converted to Canadian Funds at the exchange rate in effect at the date of issue, or the actual conversion rate of the proceeds. Sinking funds are maintained in accordance with the legal requirements of the debt instruments and the Financial Administration Act.

IV. GUARANTEED AND INDIRECT LIABILITIES

In addition to having direct debt, the Government also acts as a guarantor of securities issued by various other entities. The debt guaranteed pertaining to Crown Corporations, Agencies, Boards and Commissions is largely self-supporting. Other guaranteed debt for schools, universities and hospitals is serviced in whole or in part from appropriations of the Consolidated Fund. Legislation requires the maintenance of Sinking Funds for the retirement of the debt of most Crown Corporations, Agencies, Boards and Commissions. These Sinking Funds are maintained by the Minister of Finance through annual contributions from the Crown Corporation, Agency, Board or Commission to whom the debt applies and are held in the Trust Fund.

Other Contingent Liabilities that result from other financial activities of the Government are also reported annually in the Public Accounts.

APPLICATION OF ACCOUNTING POLICIES

The following outlines the application of these accounting policies to the financial transactions of the Government:

I. REVENUE

The revenue of the fiscal year is generally the amount received during the fiscal year. Exceptions are made for provincially collected taxes, shared-cost receipts, income from investments, and revenue from the Government of Canada, which are subject to the following additional practices:

a) Provincially collected taxes received by the Government in April with respect to collections made by Agents during March are recorded as revenue for the fiscal year just ended. These amounts are recorded as an account receivable from these Agents as at March 31.

b) A revenue receivable is recorded at March 31st for the interest accrued to that date on the temporary investments of the Operating Fund, on investments owned by the Province of Manitoba Sinking Fund and on advances to Crown Corporations, Agencies, Boards and Commissions. This amount is shown as a revenue receivable even though the income from investments is treated as a reduction in the Public Debt appropriation. The discount (premium) incurred at the time of purchase of the sinking fund investments is also recognized annually in the accounts. The discount (premium) is amortized over the term of the investment with a proportionate increase (decrease) in the book value of the investment.

c) Where, pursuant to an agreement or arrangement, money is received in advance relating to projects for which expenditure is to be made in more than one fiscal year, the money is deemed to have been received in each fiscal year in proportion to the related expenditure made in the respective fiscal year.

d) It is the practice to show the uncollected balance of claims related to shared-cost agreements with the Government of Canada as an account receivable at March 31. This accrual is made in order that the revenue from this source is recorded in proportion to the related expenditure incurred in the fiscal year.

e) The accounts are kept open until June 30 to reflect any adjustments regarding revenue from the Government of Canada under the Canada-Manitoba Fiscal Arrangements that the Government of Manitoba may become aware of before that date. Since this is a major source of Government revenue, this practice is considered necessary to show the financial condition of the Government in the most accurate manner possible.

II. EXPENDITURE

Expenditure of the fiscal year is essentially payments made from appropriations during the fiscal year and for a subsequent forty-five day period after March 31. The accounts remain open during this period to allow processing time for expenditure pertaining to the fiscal year just ended.

The following additional practices are applicable when recording the public debt costs of the Province:

1. An accrual is made to March 31st for the interest payable on bonds, debentures and other long-term debt and on trust funds invested with the Minister of Finance. In the case of foreign issues, the accrual is based on the exchange rate that was recorded at the time of debt issue. There is no provision made for the fluctuation of foreign currencies between the debt issue dates and the interest payment dates.
2. An annual provision is made for the unrealized losses (gains) that will occur at maturity on long-term debt that is payable in foreign currencies because of fluctuations in currency values over the life of the issue.
3. Any discount, premium or commission incurred on the issue of long term debt is amortized over the life of the respective debt issue.

The Valuation Allowance is not charged to an appropriation. This amount, which represents an estimate of the change in recoverable value of loans and advances and long-term investments during the fiscal year is reported as a separate item on the Statement of Revenue and Expenditure but is not included in the "Excess of Expenditure Over Revenue". When a legal realization of the loss occurs, the final write off of the loan, advance or investment will also be disclosed after the operating results on the Statement of Revenue and Expenditure.

Payments made by the Government for capital purposes are classified in a separate category of expenditure

called "Expenditures Related to Capital Assets" and are defined as follows:

a) Expenditures for property of all kinds, both real property and chattels, purchased or self-constructed for use by Government that are deemed to have an economic life in excess of one year.

b) Expenditures for projects or activities which entail major renewals, modification or modernization by own labour forces on behalf of the Government. The expenditures should significantly prolong the expected economic life of the asset.

c) The principal portion of a debt repayment when the debt was incurred to acquire a physical asset and the acquisition cost of the physical asset was not previously reflected in the Consolidated Fund as an expenditure.

d) Grants or assistance payments to municipalities, school divisions, external agencies, commercial organizations and private individuals which are known to be for the purchase, construction or improvement of physical assets.

III. ASSETS AND LIABILITIES

The Statement of Financial Position — Operating fund is prepared in accordance with the following practices:

1. **CASH AND EQUIVALENTS**
   This classification is comprised of the temporary investments of the Province which are reduced by the net overdraft in the Province's bank accounts. It is further reduced by the amount of uninvested cash belonging to the Provincial Sinking Fund. This cash is designated as part of the Provincial Sinking Fund and will be made available for long-term investment when required. Temporary investments are securities held as a result of the investment of the Government's cash flow and are generally comprised of money market instruments such as term deposits and negotiable securities which are intended to be held for a short term. All investments are shown at cost. The net bank overdraft has been adjusted for cheques issued prior to and not presented for payment at March 31st and for cash in transit.

2. **REVENUE RECEIVABLE**
   Amounts accrued at March 31st for provincially collected tax revenues, interest on investments and advances and the uncollected balance of claims related to shared-cost agreements with the Government of Canada are shown here.

3. **LOANS AND ADVANCES**
   Advances to Crown Corporations, Agencies, Boards and Commissions, which are generally interest bearing, are shown under this heading.

   The Sinking Funds provided by Crown Corporations, Agencies, Boards and Commissions for repayment of the debt issued to fund advances to these entities are deducted from the advances.

   Certain of the Crown Corporations are charged with a responsibility for administering Government programs for which they receive funds from Government appropriations. These funds are applied by the Corporation towards the program administration cost, including, in some cases, a portion of the interest they are charged on these advances. The principal repayment and/or interest charges for certain of the advances are dependent on total or partial funding from future appropriations of the Operating Fund.

   Loans and advances to Municipal Corporations or others under various Government programs are included here. Certain of these amounts may be interest bearing depending on the nature of the program.

   All loans and advances are recorded at cost and are subject to annual valuation to reflect reductions from their recorded value to their estimated realizable value.

4. **LONG-TERM INVESTMENTS**
   The majority of the Province's long-term investments consist of shares and debentures of Crown Corporations. These investments are carried at cost which does not reflect the realizable value of the investments. Any decrease in the estimated realizable value is provided for in the valuation allowance, which is described in the next paragraph.

5. **VALUATION ALLOWANCE**
   An allowance is provided for decreases in the value of loans, advances and long-term investments and is adjusted annually for changes that may occur in the estimated realizable value of these assets. The allowance is used to provide for the accumulated deficits of the Crown Corporations, Agencies, Boards and Commissions in which the Government has invested money by way of loans, advances or purchase of shares. The valuation is based on the most recent audited financial statements applicable to the fiscal year being reported that are available at the time of publication of the Public Accounts. If the Government has more than one type of investment in an organization (eg. common shares, preferred shares and debentures), the accumulated deficit is assigned against the investments in order of priority on liquidation.

   In the case of loans, advances or investment in other entities or programs the allowance is used to reflect the estimated recoverable value of these amounts.

6. **AMOUNT OWING TO THE TRUST FUND**
   A large portion of this money has been deposited with the Minister of Finance in accordance with the terms of the legislation regulating the management of sinking funds and surplus cash of Crown Corporations, Agencies, Boards and Commissions, but is not specifically invested. Such deposits are accorded a market rate of interest.

7. **ACCOUNTS PAYABLE, ACCRUED CHARGES AND FUNDS SUBJECT TO CALL**
   Cheques issued during the forty-five day period after March 31, in payment for goods and services pertaining to the fiscal year just ended are shown as accounts payable rather than as outstanding cheques.

Accrued charges represent the accrual of interest on provincial securities and on Trust Funds.

Funds subject to call consist of money received from the Government of Canada under shared–cost programs that will not be taken into revenue until earned.

8. **BORROWINGS**

This category includes bonds, debentures, secured loans from the Government of Canada, treasury bills and notes. Securities issued in Canadian Funds are recorded at par value. Securities issued in foreign funds are recorded at the Canadian Dollar equivalent of the par value based on the actual conversion of the proceeds or at the exchange rate in effect at the date of issue if conversion does not take place at issue date. Securities payable in foreign funds issued for the purpose of refunding other issues payable in the same currency are recorded at the Canadian Dollar equivalent of the par value at the date of issue.

The Government is required, by legislation, to determine the Canadian Dollar equivalent of provincial securities issued in foreign currencies or units of monetary value at March 31st of each year. The amount determined must be published in the Public Accounts as information regarding the current valuation of this foreign debt. An annual provision is made for these unrealized losses (gains) as described in paragraph 9 below.

Borrowings are reduced by the unamortized balance of the discount, premium or commission incurred on the issue of long–term debt which will be amortized over the remaining term of the debt issues for which these costs were incurred.

Borrowings are also reduced by Sinking Funds which are maintained in accordance with the legal requirements of the debt instruments and the Financial Adminstration Act. Money is allocated annually to these sinking funds on the following basis:

a) A sum equal to 3% of the aggregate amount of general purpose debt, in Canadian Dollars, outstanding at the end of the preceding fiscal year; and

b) All earnings derived from investing the sinking fund.

In addition principal repayments of advances which are funded by the issue of provincial securities are deposited to the sinking fund provided that the principal repayments are made prior to the maturity date of such securities.

The total shown for sinking funds also includes sinking fund money provided by Crown Corporations, Agencies, Boards and Commissions in respect to debt incurred on their behalf by the Government.

9. **PROVISION FOR UNREALIZED FOREIGN CURRENCY LOSSES**

An annual provision is made for the estimated losses (gains) that could occur at maturity on long–term debt that is payable in foreign currencies because of fluctuations in currency values between the debt issue dates and maturity dates. Each fiscal year–end the foreign debt is revalued using the average of the exchange rates that were in effect during the fiscal year just ended and during the preceding two years. The provision is calculated by amortizing the currency fluctuation over the remaining term of the debt.

When the debt matures, the actual loss (gain) is adjusted against the cumulative provision for that specific debt issue. Any difference between the actual amount and the amount provided is charged (credited) to the Public Debt appropriation.

10. **EXCESS OF LIABILITIES OVER FINANCIAL ASSETS AND OTHER OBLIGATIONS HELD BY THE PROVINCE CONSIDERED TO BE SIMILAR IN NATURE:**

a) SERIAL DEBENTURES OF SCHOOL DIVISIONS AND DISTRICTS, TRANSFERRED FROM THE MANITOBA SCHOOL CAPITAL FINANCING AUTHORITY

The School Capital Financing Authority Act was repealed April 1, 1983 at which date all investments and money held by the Authority, as well as debt payable by the Authority, was assumed by the Government. The investments transferred to the Government consist of serial debentures issued by school divisions and districts for which the Government is primarily responsible for repayment. These securities are therefore included in this category because they do not represent a claim on other parties.

The budget estimates of expenditure provide an annual appropriation in the Consolidated Fund to cover the principal and interest costs of these debentures. The cash drawn from this appropriation for the required annual principal repayments is transferred to the Province's sinking fund where it will be used for repayment at maturity of the debt assumed from the Authority. A similar treatment would be accorded any proceeds from the sale of the school debentures.

b) SECURITIES RECEIVED FROM THE SALE OF LAND AND BUILDINGS TO MANITOBA PROPERTIES INC.

Land and buildings, having an aggregate value of $917 million, were sold to Manitoba Properties Inc. under various sales agreements during 1984–85 and 1985–86. In addition to cash, the purchase consideration received from the sale consisted of common shares of Manitoba Properties Leasing Inc. and Manitoba Properties Management Inc. and promissory notes from Manitoba Properties Inc.

The recorded value of the common shares has been reduced by a special valuation account which was established from a portion of the sale proceeds and is used to reflect the potential diminution in value of these shares as the result of dividends paid to preferred shareholders of Manitoba Properties Inc. on an

annual basis. Manitoba Properties Leasing Inc. and Manitoba Properties Management Inc. jointly own all the common shares of Manitoba Properties Inc. and the value of their equity in these shares could decrease annually with the payment of dividends by the latter to preferred shareholders.

Interest payable to the Province on the promissory notes is funded from annual rental payments made by the Province to Manitoba Properties Inc. and is therefore dependent on future appropriations of the Consolidated Fund. These securities are therefore included under this category because they do not represent a claim on other parties.

c) EXCESS OF LIABILITIES OVER FINANCIAL ASSETS

This account and the two accounts previously described represent the difference between liabilities, which are financial claims owing by the Government, and financial assets, which are financial claims receivable by the Government. Since the physical assets and materials inventories of the Government do not constitute a financial claim receivable by the Government, they are not considered in the determination of this balance.

IV. CHANGES IN ACCOUNTING POLICY

Section 10 of the Financial Administration Act requires a statement of any change in the accounting policies of the Government from those followed in the preceding fiscal year. The changes for the fiscal year ended March 31, 1986 were as follows:

a) The practice previously in effect of accruing interest payable at March 31st on bonds, debentures and other long-term debt has been expanded to include interest payable on trust funds deposited with the Minister of Finance for investment. These trust funds form part of and are invested in the Consolidated Fund and are accorded a market rate of interest. In order to accommodate the transition from the cash basis previously followed for this item, an adjustment of $4.5 million was made through the Excess of Liabilities Over Financial Assets Account for the amount that would have been accrued at March 31, 1985.

b) A Provision for Unrealized Foreign Currency Losses was established so that an annual provision would be accrued for the fluctuation in currency values that occurs in long-term debt between the debt issue date and maturity date. Previously the losses (gains) that resulted from the fluctuation in currency values was recognized only at the time of debt maturity. In order to accommodate the establishment of this provision for those debt issues that were outstanding prior to March 31, 1985, an adjustment of $256.4 million was made through the Excess of Liabilities Over Financial Assets Account. The provision for 1985-86 of $15.8 million is charged against the Public Debt appropriation.

c) Any discount, premium or commission cost incurred on the issue of long-term debt is treated as a deferred expenditure and allocated over the life of the debt issue. Previously these costs were treated as an expenditure of the year in which the debt was issued. In order to accommodate the transition from the cash basis previously followed, an adjustment of $27.7 million was made through the Excess of Liabilities Over Financial Assets Account for the amount of deferred expenditure pertaining to outstanding debt issues at March 31, 1985.

d) Interest income was accrued at March 31st, 1986 on temporary investment of the Operating Fund, on investments owned by the Province of Manitoba Sinking Fund, and on advances to Crown Corporations, Agencies, Boards and Commissions. Previously, this interest income was recorded on a cash basis. Accounting policy was also changed regarding the discount (premium) incurred at the time of purchase of sinking fund investments. The discount (premium) is now amortized over the term of the investment so that a portion is now recognized in the accounts as being earned annually whereas previously it was only recorded at the time of investment disposal or maturity. In order to accommodate the transition from the cash basis for these two items, adjustments of $24.2 million for interest income and of $19.5 million for discount (premium) on investments were made through the Excess of Liabilities Over Financial Assets Account for the amount applicable to investments and advances at March 31, 1985.

e) The allowance titled "Allowance For Losses On Realization Of Assets" has been renamed "Valuation Allowance" and its purpose has been expanded to include all Loans and Advances and Long-Term Investments. Previously this allowance was used only for Crown Corporations, Agencies, Boards and Commission in which the Government has invested money by way of loans, advances or purchase of shares.